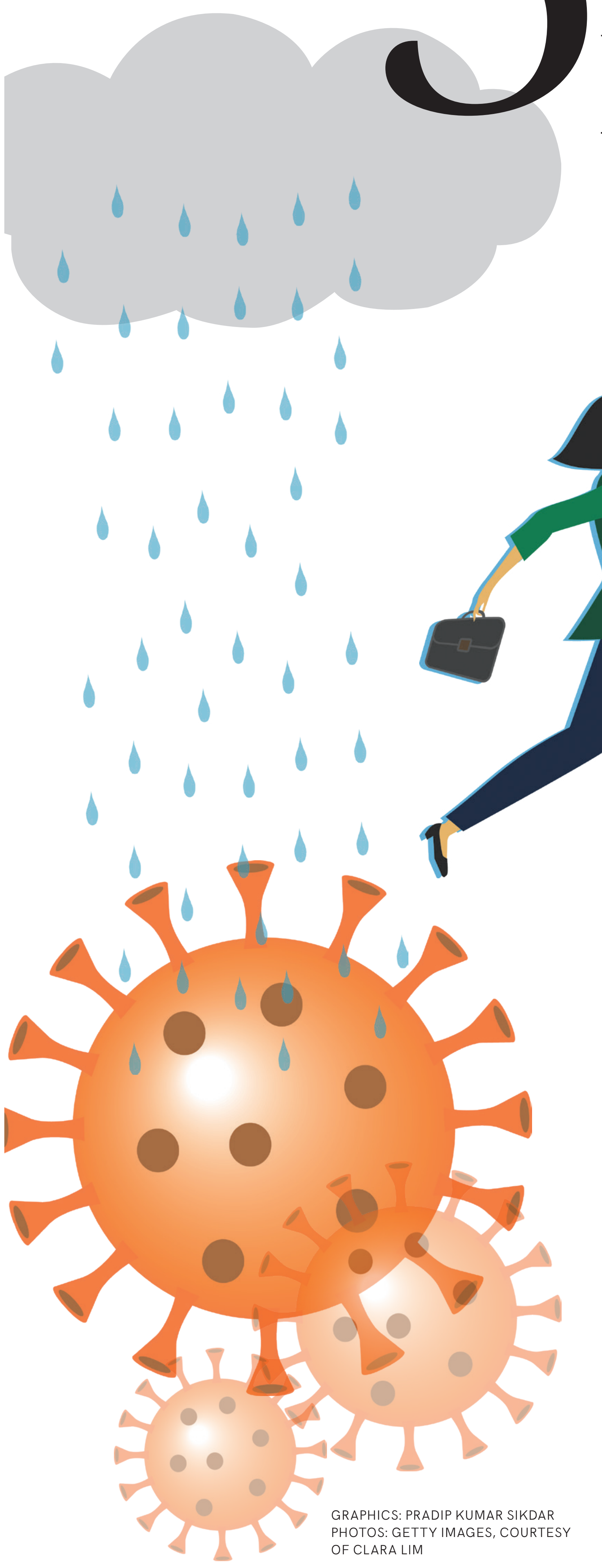
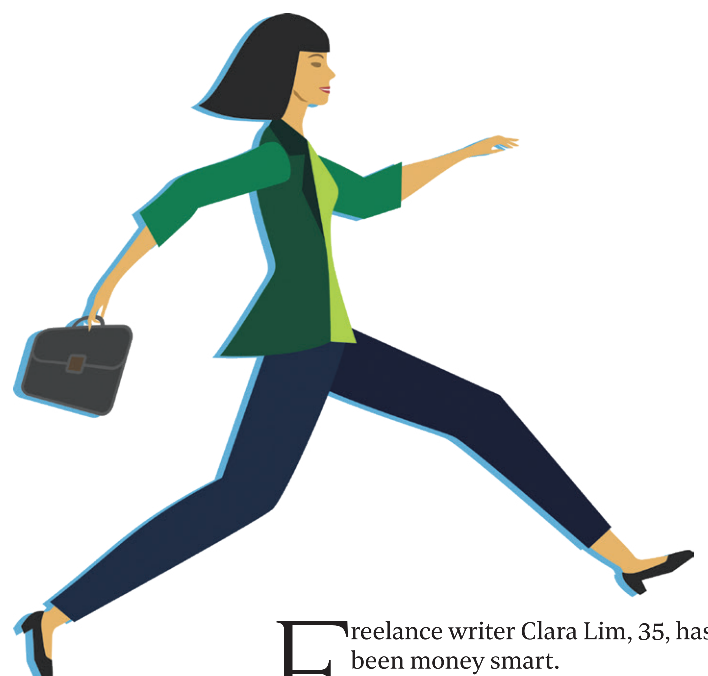
Gains amid Covid pains

This is the first of a three-part series in partnership with OCBC Bank

5 pluses from the pandemic





A recent poll has thrown up some surprising positives amid the pandemic: More Singaporeans are aware of the need to be prudent and to plan for retirement and financial uncertainties

By AUDREY ANG

Freelance writer Clara Lim, 35, has always been money smart.

When she worked full-time as a content editor in the fintech industry, she would spend about a third of her four-figure take-home pay and invest the rest in global exchange-traded funds (ETFs) that track the S&P 500 and MSCI World index.

But the Covid-19 pandemic has made her more wary — and prudent.

"Before the pandemic, I had never imagined people in their 20s and 30s would get laid off. This was frankly really scary.

"I paused my investments to beef up my emergency savings to 12 months, up from the six months worth of savings I had," says Ms Lim, who lives in a four-room flat with her husband.

Having three to six months worth of living expenses is what experts generally recommend to have in the event of loss of income.

Ms Lim's cautious approach reflects the findings of the OCBC Financial Wellness Index 2021.

Those polled scored an average of 62 out of 100 in terms of overall financial wellness — up from last year's 61.

By contrast, the shock of the pandemic last year brought the Index down two percentage points from 63 in 2019.

"The Covid-19 pandemic and its drag on the economy has made many of us more aware of our financial situations," says OCBC Bank's head of Wealth Management Singapore, Ms Tan Siew Lee.

Singaporeans are pursuing "healthier financial habits such as consistently saving, sticking to a budget and investing to grow their funds — perhaps in response to the Covid-19 pandemic," she adds.

What are the positives from the pandemic?

1 Planning: They think, therefore they tweak

More Singaporeans have stepped up planning for retirement, with 66 per cent having a retirement plan in place. It was 63 per cent last year.

The biggest increase came from millennials in their 20s and 30s; 64 per cent are planning for retirement, compared to 57 per cent in 2020.

Count Ms Lim among them. "Seeing so many people lose their livelihoods, especially older hawkers and taxi drivers, made me realise that we shouldn't just plan for retirement at the traditional retirement age. Life can force us to retire even when we don't want to."

The Manpower Ministry's Labour Market Report 2020 bears this out. The unemployment rate among Singaporeans peaked in September 2020 to 4.9 per cent; 9,120 workers were retrenched — the highest since the 2009 recession.

The pandemic and resulting job cuts strengthened Ms Lim's resolve to be financially independent, while leading a simpler life.

More seem to agree. Out of three retirement lifestyles, 40 per cent of Singaporeans chose the most basic option requiring about $2,300 a month, up from 2020's 36 per cent.

2 Prudence: They save — and behave

Across all age groups, money management remained tight. About 70 per cent of respondents stuck to their budget.

Those surveyed also claim to have less unsecured debt. Only 24 per cent of Singaporeans have outstanding debts, which include credit card debt, education and renovation loans. And 84 per cent say they are able to pay off their debt ahead of time or on time.

This is backed up by data from the Credit Bureau Singapore's (CBS) Consumer Credit Index released in June: Delinquency and default rates for credit card debt and personal loans fell across all age groups in the second quarter of this year, compared to the same period last year.

3 Positivity: They cheer more than fear

Better financial habits — coupled with vaccine roll-outs, careful resumption of travel and reopening of borders around the world — have injected a fresh dose of optimism.

This year, one in two people are more confident of economic recovery in the next 12 months, an increase from last year's 43 per cent.

But while people seem optimistic about economic growth, more than half of those in their 20s to those aged 54 worry about not having enough money to take care of themselves and their loved ones.

4 Proficiency: They are savvy, digitally

With more digital financial tools available, it's no surprise that nearly half of survey respondents use them for various purposes such as savings planning, budgeting and expenses, investment and retirement planning.

Ms Lim herself started investing in 2019 when she saw an advertisement for a robo-advisor.

This first step encouraged her to learn more about different assets and investment strategies, and ultimately gave her the confidence to manage her own investments.

For some, using a digital financial tool does not replace professional financial advice. About 63 per cent who take this dual approach feel more confident and knowledgeable making investment decisions, and nearly all are on track with their investments.

5 Progressive: They are empowered

More women are focusing on growing their wealth, with 79 per cent of women having investments, compared to 60 per cent last year. Those who are taking charge of their wealth say they do so for their own financial needs and retirement.

The Index also revealed that younger people, especially millennials in their 20s, are investing more than before.

And they are doing so in a wider range of investments, including "more volatile" ones such as cryptocurrencies and foreign stocks, compared to the average Singaporean's investment in similar assets.

Ms Lim agrees: "My former colleagues in their 20s read voraciously about finance and are also extremely receptive to financial planning, even learning about retirement planning for themselves.

"I guess the idea that anything can happen really hits close to home for young people today."

"We shouldn't just plan for retirement at the traditional retirement age. Life can force us to retire even when we don't want to."

— Ms Clara Lim, 35

GRAPHICS: PRADIP KUMAR SIKDAR
PHOTOS: GETTY IMAGES, COURTESY OF CLARA LIM

Silver linings amid Covid's dark clouds

Amid uncertainties brought about by the pandemic, most Singaporeans are taking charge of their finances by adopting good financial habits and kicking bad ones.

88% of Singaporeans continue to consistently save at least 10 per cent of their salary, with the average Singaporean saving 27 per cent of salary

54% Percentage of people in 2021 who can sustain themselves financially for six months if they become jobless, compared to 52 per cent in 2020 and 51 per cent in 2019

82% ...of Singaporeans have investments in 2021; their top priorities are to take care of their loved ones financially, grow their wealth and plan for retirement

40% When asked to choose their preferred retirement lifestyle, 40 per cent chose the most basic option requiring about $2,300 a month

24% ...of Singaporeans have unsecured debt, down from 30 per cent in 2020

	20s	30s	40-54	55-65
2021	26%	29%	22%	16%
2020	33%	32%	32%	18%

About the OCBC Financial Wellness Index

The third annual survey by OCBC polled 2,051 working adults aged between 21 and 65 in Singapore about their financial habits.

The Index is based on 10 pillars of financial wellness and 24 indicators of standards and guidelines that are widely accepted best practices in financial planning, according to the bank.

The 10 pillars are:

1. Savings habits
2. Spending beyond means
3. Manageable debts
4. Protection from financial emergencies
5. Regular reviews
6. Regular investing
7. Retirement planning
8. Excessive speculation
9. Borrowing money from loved ones
10. Gambling habit